

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 15, 2007, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, Vice President
Clarence Corneil, Trustee
Kim Franz, Trustee
Lowell Latimer, Trustee
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer

ABSENT: Mark Sanford, President

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Bonnie Heit, Office Manager
Les Mason, Internal Audit Supervisor
Darlene Roppel, Retirement Assistant
Shelly Schumacher, Retirement Program Manager
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: Gloria Lokken, NDEA
Tami Wahl, NDRTA
Aaron Webb, Attorney General's Office

CALL TO ORDER:

Mr. Mike Gessner, Vice President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, March 15, 2007, at Workforce Safety & Insurance, 1600 E Century, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: VICE PRESIDENT GESSNER, DR. LATIMER, MRS. FRANZ, MR. CORNEIL, TREASURER SCHMIDT, AND DR. SANSTEAD.

MINUTES:

The Board considered the minutes of the January 18, 2007, board meeting.

MRS. FRANZ MOVED AND DR. LATIMER SECONDED TO APPROVE THE MINUTES OF THE JANUARY 18, 2007, BOARD MEETING.

AYES: DR. LATIMER, MRS. FRANZ, VICE PRESIDENT GESSNER, TREASURER SCHMIDT, MR. CORNEIL, AND DR. SANSTEAD.
NAYS: NONE

MOTION CARRIED

Mrs. Fay Kopp, Deputy Executive Director, congratulated Mr. Clarence Corneil, who was reappointed by Governor Hoeven to the TFFR Board effective July 1, 2007 - June 30, 2012. Mr. Corneil has been representing the retired membership on the board since July 1, 2002.

2007 LEGISLATIVE UPDATE:

Mrs. Kopp distributed and reviewed the March 15, 2007 TFFR Legislative Update, amended SB 2046, and other investment and actuarial information requested by the House Government and Veterans Affairs (GVA) Committee. Mr. Webb, Assistant Attorney General, also commented on the January 27, 2007 letter relating to possible constitutional issues relating to changing TFFR retiree re-employment provisions.

Mrs. Kopp outlined questions received from members, employers, and legislators relating to TFFR's funding level, retiree reemployment, benefit provisions, contribution rates, impact on teacher-school district negotiations, past benefit improvements, board responsibilities, investment program, past and expected future investment performance, and asset allocation. Board discussion followed.

Mrs. Kopp also presented certain retiree concerns expressed in letters which were included in the board mailing. After discussion of current board goals, past legislation, and other related information, the Board asked Mrs. Kopp to provide a summary of the 2001 Retiree Study conducted by Gabriel, Roeder, and Smith (GRS) at the July or September board meeting. The Board plans to continue discussing how to address retiree concerns relating to future benefit increases. However, Board members agreed that in order to preserve the long term financial stability of TFFR for all current and future retirees, TFFR funding improvements must be made.

INVESTMENT UPDATE:

Mr. Cochrane informed the Board the Ontario Teachers Pension Plan received the "2007 Savviest Public Plan of the Year Award" by Money Management Letter at its 6th Annual Public Pension Funds Awards for Excellence. The ND State Investment Board (NDSIB) and the San Diego City Employees Retirement System were also nominated for this prestigious award.

Mr. Cochrane reviewed the agenda for the SIB March 16, 2007, meeting. He informed the Board the fiscal year-to-date estimated return for the TFFR fund is 11.01%.

ACTUARIAL AUDIT:

Mrs. Kopp reviewed the January 10, 2007 letter from Gabriel, Roeder, Smith & Company (GRS) relating to the acceptability of the modified entry age normal actuarial cost method used by GRS for the TFFR actuarial valuation. The GRS letter explains that the Government Accounting Standards Board (GASB) takes their definition of allowable actuarial cost methods from Actuarial Standard of Practice No. 4 (ASOP 4). While researching the TFFR Board's request, GRS discovered that the Actuarial Standards Board (ASB) was in the process of revising ASOP 4. To date, the draft revision eliminates the definitions of acceptable cost methods by reference and sets forth criteria that should be met by an acceptable method. According to GRS, the version of entry age normal actuarial method used by TFFR clearly meets all of the criteria set forth in the draft revision. Therefore, if the final version of ASOP 4 is adopted, then GRS believes Buck's objections should disappear.

After board discussion,

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO AUTHORIZE GRS TO CONTINUE USING THE MODIFIED ENTRY AGE NORMAL ACTUARIAL COST METHOD AND TO NOTIFY THE BOARD WHEN THE ACTUARIAL STANDARDS BOARD FINALIZES ASOP 4. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: VICE PRESIDENT GESSNER, DR. LATIMER, TREASURER SCHMIDT, MRS. FRANZ, MR. CORNEIL, AND DR. SANSTEAD.

NAYS: NONE

MOTION CARRIED.

Treasurer Schmidt asked how TFFR was planning to address the new financial reporting requirements found in GASB 45. Mrs. Kopp stated that GASB 45 applies to post employment benefits other than pensions provided by states and local governments. Since TFFR does not provide retiree health insurance or other post employment benefits, GASB 45 is not applicable to TFFR. Mrs. Kopp noted that TFFR's actuarial consultant and external auditor work with TFFR on any new financial reporting requirements, and will be asked to address them at a future board meeting.

BOARD POLICIES:

Mrs. Kopp provided background information on the definition of retirement salary and the issue of whether payments made to referees and other game officials and judges are eligible or ineligible TFFR salary. Under state law, referee pay is excluded from retirement salary for pension calculation purposes. She also reviewed a draft policy on "Retirement Salary Exclusion" which broadly defines referees as all game and desk officials. After discussion,

DR. SANSTEAD MOVED AND VICE PRESIDENT GESSNER SECONDED TO APPROVE THE RETIREMENT SALARY EXCLUSION DRAFT POLICY AS PRESENTED. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MR. CORNEIL, MRS. FRANZ, DR. LATIMER, DR. SANSTEAD, TREASURER SCHMIDT, AND VICE PRESIDENT GESSNER

NAYS: NONE

MOTION CARRIED.

Mrs. Kopp described the current estimated retirement process which allows new retirees to begin receiving their initial retirement benefit payments before final year-end reports are received. She also reviewed a draft policy on "Retirement Benefit Payments" which clarifies the estimated process as an available option for prospective retirees. After discussion,

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE RETIREMENT BENEFIT PAYMENTS DRAFT POLICY AS PRESENTED. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MRS. FRANZ, TREASURER SCHMIDT, DR. LATIMER, VICE PRESIDENT GESSNER, MR. CORNEIL, AND DR. SANSTEAD.

NAYS: NONE

MOTION CARRIED.

Mrs. Schumacher provided background information on current TFFR employer payment plan models which allow member retirement contributions to be made on a tax-deferred basis. She also outlined a request from employees of certain state agencies and state institutions who employ participating TFFR members to be allowed to have their entire member contribution made on a pre-tax basis. This issue was reviewed by TFFR's legal counsel and actuarial consultant. Mrs. Schumacher reviewed a draft policy on "Employer Payment Plan Models - State Agencies and Institutions" which allows the portion of member contributions deducted from the salary of a TFFR member employed by a state agency or institution to be made on a tax deferred basis. After discussion,

DR. LATIMER MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE EMPLOYER PAYMENT PLAN MODELS-STATE AGENCIES AND INSTITUTIONS DRAFT POLICY AS PRESENTED. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MRS. FRANZ, DR. LATIMER, DR. SANSTEAD, VICE PRESIDENT GESSNER, MR. CORNEIL, AND TREASURER SCHMIDT.

NAYS: NONE

MOTION CARRIED.

RETIREMENT OFFICER'S REPORT:

Retirement Rates - Mrs. Kopp reported on information Mr. Chris Conradi, GRS, provided relating to how many members retire in their first year of eligibility. The probability that an active member who reaches eligibility before age 65 will retire is about 60% (assumption is 50% for males and 65% for females).

NCTR Publication - Mrs. Kopp referenced a new publication entitled "Getting it Right" published by National Council on Teacher Retirement (NCTR) and National Association of State Retirement Administrators (NASRA) which describes the benefits of a public pension defined benefit plan.

Dr. Latimer briefed the Board on his recent trip to Washington, DC where he visited with each of the members of the ND Congressional Delegation.

2006 NCTR Convention DVD - A DVD of the proceedings of the NCTR Annual Convention held in Austin, Texas, October 13-18, 2006, was given to trustees who attended.

2007 NCTR Educational Conferences - Mrs. Kopp reported on the upcoming NCTR educational conferences. The Trustee Workshop will be held July 30-August 1, 2007, in Boston, MA. The Annual Convention will be held October 7-10, 2007, in Scottsdale, AZ. Agenda and registration materials will be available in May for both conferences.

TFFR Program Manual Updates - Program manual updates were included in the board member's packets.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDED TWO DISABILITY APPLICATIONS. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: DR. SANSTEAD, MRS. FRANZ, MR. CORNEIL, TREASURER SCHMIDT, VICE PRESIDENT
GESSNER AND DR. LATIMER.
NAYS: NONE

MOTION CARRIED

OTHER BUSINESS:

The next meeting of the TFFR Board will be held May 17, 2007, at the State
Capitol, Fort Union Room, at 1:00 p.m.

ADJOURNMENT:

With no further business to come before the Board, Vice President
Gessner adjourned the meeting at 2:45 p.m.

Respectfully Submitted:

Mark Sanford, Pres.

Mr. Mike Gessner, Vice President
Teachers' Fund for Retirement Board

Darlene Roppel

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Reporting Secretary